

# Hedge Fund Managers Remain Cautious as Net Asset Flows Turn Positive

## Fund managers report negative investor sentiment toward the industry despite improved performance

Preqin's latest survey of hedge fund managers\* finds that they are adopting a bearish attitude in the second half of 2017, despite indications that fundraising and performance environments may be improving. Net inflows to hedge funds totalled \$25bn in H1 2017, following five consecutive quarters of outflows. At the same time, the industry recorded its highest H1 performance since 2009, and two-thirds of fund managers met or exceeded their returns objectives over the preceding 12 months. However, fund managers do not feel optimistic about the months ahead: 69% predict that net asset flows will be flat or negative in the second half of the year, and more than a third believe that investor sentiment is more negative now than it was 12 months ago.

**For more information and analysis, see the full *Hedge Fund Manager Outlook* here:**

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Hedge-Fund-Manager-Outlook-H2-2017.pdf>

### Key Hedge Fund Manager Outlook Facts:

- Overall, while just half of fund managers surveyed in June 2016 believed that they had met or exceeded their return goals, as at June 2017 **67% believed they have met or exceeded their return goals.**
- Additionally, **60% of managers report that their assets have increased** in the past 12 months, while only 15% reported seeing a decrease.
- At the same time, **net inflows to hedge funds reached \$25bn in H1 2017**, compared to the \$110bn net outflows seen in 2016.
- **The market rally following President Trump's election at the end of November 2016 is seen as having the largest impact on performance;** 79% of managers reported that this had affected their performance in 2017 and 80% of those reported that this had affected their performance positively.
- Despite this, **30% of hedge fund managers reported that fundraising has become more difficult over the past 12 months.** However, this is an improvement from 47% that said the same in 2016.
- Looking ahead, although 2017 YTD has seen positive net asset flows, **69% of hedge fund managers believe that over H2 2017 flows will be flat or negative.**
- Additionally, **45% of fund managers report that investor demand for more favourable fees is the key driver of change in the hedge fund industry.**
- **Thirty-six percent of fund managers report that investors have become more negative towards hedge funds over the past year** while only 24% believe that investors feel more positive.

### Amy Bensted, Head of Hedge Fund Products:

"Following net outflows from the hedge fund industry of more than \$100bn in 2016, the first half of 2017 has seen two consecutive quarters of capital inflows. This may indicate that investor sentiment toward the asset class is becoming more positive, perhaps in response to the improved performance environment over the past 12 months.

However, fund managers do not seem to believe that this will benefit them in the longer term, and their judgement of investor sentiment is negative overall. It is particularly notable that over a third of managers gauge that investor sentiment is worse than in June 2016 – an historic low-point for hedge fund investor confidence. It remains to be seen in the remainder of the year if fund managers will be proved right, or if investor sentiment will continue to warm."

*\* Results are based on a survey of 140 hedge fund managers conducted by Preqin in June 2017.*

*Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.*

**For more information, contact our dedicated press team at [press@preqin.com](mailto:press@preqin.com) or call (+44) 20 3207 0265.**

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|---|------------------|---------------|-----------------|----------------|--------|
| New York  | London           | Singapore     | San Francisco   | Hong Kong      | Manila |
| +1 212 350 0100   | +44 20 3207 0200 | +65 6305 2200 | +1 415 316 0580 | +852 3958 2819 |        |
| <a href="http://www.preqin.com">www.preqin.com</a> / <a href="mailto:info@preqin.com">info@preqin.com</a> |                  |               |                 |                |        |